

Message Text

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ORIGIN NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 DODE-00 PM-04 H-02 L-03

NSC-05 PA-01 PRS-01 SS-15 AGRE-00 INT-05 JUSE-00 /089 R

DRAFTED BY NEA/PAB:RKMCKEE/MW

APPROVED BY NEA/PAB:PWLANDE

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R 182213Z OCT 76

FM SECSTATE WASHDC

TO AMEMBASSY ISLAMABAD

INFO AMCONSUL KARACHI

C O N F I D E N T I A L STATE 257876

E.O. 11652: GDS

TAGS: EFIN, EINV, PK

SUBJECT: ESSO FERTILIZER CONSIDERING ARBITRATION
PROCEEDINGS

REF: ISLAMABAD 10360

1. EXXON CHEMICALS PRODUCT EXECUTIVE (FERTILIZERS) J.E. BREWER, RESIDENT IN PAKISTAN WITH DAHARKI PROJECT FROM 1965 TO 1973, AND EXXON CHEMICALS PUBLIC RELATIONS ADVISOR J. A. GILLAN CALLED AT DEPARTMENT OCTOBER 13 TO INFORM NEA/PAB OFFICERS OF ESSO FERTILIZER (PAKISTAN) INTENTION TO SEEK ARBITRATION OF TWO LONG-STANDING ISSUES IN DISPUTE WITH GOP. PRESENTATION PARALLELED THAT MADE TO AMBASSADOR BYROADE AS REPORTED REFTEL. DEPARTMENT OFFICERS INFORMED EXXON CHEMICALS REPRESENTATIVES THAT THEIR CASE SEEMED REASONABLE. EXXON WOULD HAVE TO MAKE ITS OWN DECISION ON WHETHER TO PROCEED TO ARBITRATION. WE SAW NO REASON TO
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SUGGEST THIS STEP NOT BE TAKEN BUT RECOMMENDED EXXON REMAIN

IN CLOSE CONTACT WITH THE EMBASSY WHICH WOULD BE IN A
BETTER POSITION TO OFFER ADVICE.

2. BREWER RAISED THIRD PROBLEM FACING ESSO FERTILIZER,
THAT OF GOP EXCISE TAX ON NATURAL GAS USED FOR FUEL AND
FEEDSTOCK BY DAHARKI FERTILIZER PLANT. GOP HAD THUS FAR
REFUSED ESSO FERTILIZER'S REQUEST THAT THIS ADDITIONAL COST
BE PASSED ON TO CONSUMERS. ORIGINAL 1960'S ESSO-GOP
CONTRACT IMPLIED, BUT APPARENTLY DID NOT STATE CLEARLY,
THAT ORIGINAL PROFIT SPREAD BETWEEN NATURAL GAS COST AND
RETAIL COST (BOTH GOP-CONTROLLED) WOULD BE MAINTAINED.
BREWER ADDED THAT FINANCE SECRETARY GENERAL A.G.N.KAZI
HAD LONG OPPOSED ESSO CLAIM. ESSO PLANNED TO MAKE ONE
MORE APPROACH TO KAZI. IN PROBABLE EVENT OF YET ANOTHER
NEGATIVE REACTION, ESSO THEN PLANNED TO WEIGH ADVISABILITY
OF ASKING AMBASSADOR BYROADE TO MENTION ESSO'S DIFFICUL-
TIES TO PRIME MINISTER BHUTTO. (ESSO IS RELUCTANT TO
SUBMIT THIS ISSUE TO ARBITRATION, BREWER CONFIDED, AS
NEGOTIATING HISTORY OF CONTRACT--LETTERS AND MINUTES--
SUPPORTS CLAIM BUT CONTRACT DOES NOT SPECIFICALLY DO SO.)

3. PAPERS LEFT BY BREWER RE ARBITRATION BEING POUCHED
TO ECONOMIC COUNSELOR AMSTUTZ. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FERTILIZER INDUSTRY, CLAIMS, DISPUTES, ARBITRATION
Control Number: n/a
Copy: SINGLE
Draft Date: 18 OCT 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE257876
Document Source: CORE
Document Unique ID: 00
Drafter: RKMCKEE/MW
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760391-0912
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761040/aaaabikv.tel
Line Count: 84
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 ISLAMABAD 10360
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 18 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18 JUN 2004 by CunninFX>; APPROVED <15 OCT 2004 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ESSO FERTILIZER CONSIDERING ARBITRATION PROCEEDINGS
TAGS: EFIN, EINV, PK, ESSO FERTILIZER CO
To: ISLAMABAD
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006